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16 December 1963 25X1

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# CENTRAL INTELLIGENCE BULLETIN



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C O N T E N T S

1. USSR: Khrushchev's closing speech to the Soviet party plenum suggests a slowing in the rate of defense expenditures. (Page 1)
2. Bolivia: Agreement by Paz and Lechin to release hostages could be frustrated by recalcitrant miners. (Page 3)



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16 December 1963

### DAILY BRIEF

\*USSR: Khrushchev's closing speech to the Soviet Central Committee plenum on 13 December leaves little doubt that implementation of the massive chemical program will necessitate considerable reshuffling of economic resources and will probably lead to a slowing in the rate of defense expenditures.

Although Khrushchev attempted to stress that the program would not have a detrimental effect on defense and the growth of other branches of the economy, his statistics--so far as the economy is concerned--indicated otherwise. By 1970 the annual volume of investment in the chemical industry is to be about five times the present level but all other investment is to be less than double. While some resources for the chemical program will probably result from holding the line on investment in so-called non-productive areas such as housing and public services it is likely that the growth of some heavy industrial sectors will also be restricted.

The course of defense expenditures is more open to question. Khrushchev indicated, as he did earlier this year to Western officials, that the 1964 budget to be announced on 16 December would show some reductions in military appropriations. However, since the explicit military budget contains only a portion of total military expenditures--estimated to be on the order of 70 percent this year--it is not a good criterion for measuring change.

Much more important will be the various data on investment and civilian machinery production likely

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to be revealed in the budget. It seems probable, however, from the outline already given by Khrushchev that the program is sufficiently large to require at least some reduction in the rapid pace of military spending.

Khrushchev appears also to be considering a reduction in the size of the Soviet armed forces--perhaps a resumption of the program announced early in 1960 and suspended in July 1961. The 1960 goal called for a cutback from 3.6 million to 2.4 million. The present force level is on the order of 3.3 million.

Unless the reduction were to be very large the actual savings in military costs would not be a significant factor in any such decision. However, additional manpower could be readily and usefully absorbed into the civilian economy. [REDACTED]

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DAILY BRIEF

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Bolivia: President Paz Estenssoro and Vice President Lechin are reported to have reached an agreement to release the hostages, but these efforts could be frustrated by the recalcitrant miners guarding them.

The agreement, concluded on 14 December, provides for freeing the hostages, simultaneous withdrawal of government troops from the immediate area, and guarantees of a fair trial for the three jailed Communist labor leaders. The major stumbling block is the attitude of the ill-disciplined Siglo Veinte miners, who are not wholly under Lechin's control.

The hostages are being guarded by women related to the jailed Communists and by other extremists who have been adamantly opposed to releasing the hostages until the government frees the three labor leaders. An unidentified radio station, apparently broadcasting from Siglo Veinte on the evening of 14 December, warned the miners not to be taken in by "treacherous maneuvers" which would leave their comrades in government custody. The broadcast said that release of the hostages would be "physically difficult" until the labor leaders are returned to the mines.

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NOTE

Aden: British authorities in Aden are investigating the possibility that the bombing incident which took place at Aden Airport on 10 December was part of an organized conspiracy. The British have rounded up a number of leaders of the People's Socialist Party, an Arab nationalist organization, and have deported over 100 Yemenis from Aden in the wake of the incident. The British apparently are fearful that the Yemeni Republicans, assisted by the Egyptians, are planning to mount a sabotage campaign in Aden.

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